GOVERNMENT OF AHNDHRA PRADESH
A B S T R A C T

I&I Department - APGDC - Government Guarantee for obtaining loan for an amount of Rs.927 crores for execution of Kakinada - Srikakulam Pipeline Project - Approved - Orders - Issued.

INFRASTRUCTURE & INVESTMENT (Airports) DEPARTMENT

G.O.Ms.No.5 Dated 16-05-2022.
Read the following:

1. G.O.Ms.No.10, Inf. & Inv. (Airports) Dept.,dated 17.08.2021.
2. From the MD, APGDC Ref.: APGDC/ FUND/ 2022-23/1, dated:09.05.2022.

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ORDER:

1. Andhra Pradesh Gas Distribution Corporation (APGDC) was incorporated in Jan. 2011 as 100% subsidiary of APGIC with an objective to design & develop Natural Gas supply and distribution network. APGDC was converted to 50:50 JV of APGIC & GAIL in Sept. 2011 and in 2018-19 inducted APIIC, APGENCO as shareholders. The authorized share capital is Rs.500 Cr. (paid-up share capital Rs. 293 Cr.). GoAP decided to increase shareholding in APGDC from 50 to 74%, APIIC & APMB to hold 37% shareholding each post restructuring vide reference Ist read above.

2. APGDC initiated the KSPL project authorized by PNGRB in Jul'14 with a tariff of (for first 5 years): Rs. 4.5/MMBtu and 2% p.a. escalation from 6th-25th year. The authorized capacity of the KSPL Pipeline is 90 MMSCMD based on the Gas Sources and demand considered at the time of Bidding. KSPLPhase-1 is 169 Km Kakinada - Visakhapatnam and Phase-2 is 102 Km Visakhapatnam - Srikakulam).

3. Due to major changes in (a) Supply-Demand scenario post-authorization of KSPL and (b) anticipated changes in Project Cost, APGDC Board in 2018 advised for re-estimation of the Project Cost and for fresh Financial Appraisal of the Project based on prevalent Supply - Demand Scenario. The re-estimated Project Cost as Rs. 1003 Cr. (excl. IDC & Margin Money).

4. While pursuing the loan funding for KSPL Project with Union Bank of India, the Bank has advised for a fresh Techno-Economic Viability Study through one of their empaneled Agency - M/S. Atlas Financial Research and Consulting Pvt. Ltd. based on estimated Project Cost and market condition in 2022. As advised by Bank, project cost has been re-estimated in-house as Rs.1390 Cr.(Loan- Rs.927 Cr. & Equity - Rs. 463 Cr.)

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and the same has been discussed & agreed by APGDC Board in the 62nd Board meeting held on 28.04.2022. M/S. Atlas has taken-up the TEV study of KSPL Project based on the revised estimate of Rs.1390 Cr. Further, the planned five-year work programme of CGD Project by GGPL is targeted to be completed by Mar'23 with an estimated expenditure of Rs.492 Cr. (Loan - Rs.335 Cr. & Equity - Rs.157 Cr.) wherein APGDC has an Equity commitment of Rs.116 Cr. @ 74% shareholdings of APGDC in GGPL.

5. Considering the above, revised funding requirement of APGDC is detailed below:

Project I Expenditure Head	Project Cost (Rs. Cr.)	Loan required (Rs. cr.)	Total Equity required (Rs. Cr.	Equity already contributed (Rs. cr.)	Balance Equity required (Rs. Cr.)
Kakinada Srikakulam Pipeline	1390	927	463	200	263

6. Against the ~Rs.463 Cr Equity funding required for the Project, Rs.200 Cr. Equity has already been infused in the Project and balance ~Rs.263 Cr. Equity will be infused progressively as per the requirement. It is pertinent to mention that the Rs.200 Cr. Equity already infused in the Project will generate ~Rs.400 Cr. Loan funding that will be adequate to resume the construction works and ensure requisite momentum in project progress.

7. In terms of project economic returns, at 6.5 MMSCMD or 260000 MMBtu per day and current gas price, the KSPL project is expected generate annual VAT of around Rs.1529 Cr.

8. In the reference 2nd cited, the MD, APGDC has requested to provide the Government Guarantee, for obtaining the term loan amounting to Rs.927.00 crore by Andhra Pradesh Gas Distribution Corporation Limited (APGDC) from the Banks/Financial Institutions for implementing the Kakinada-Srikakulam Pipe Line (KSPL) project. The project will help State Government in ensuring energy security for the upcoming Economic Corridors and complete the balance City Gas Distribution (CGD) project works in East & West Godavari Districts for full commercial monetization of infrastructure.

9. Government after careful examination of the proposal of the MD, APGDC hereby decided to provide the Government Guarantee, for obtaining the term loan to the Andhra Pradesh Gas Distribution Corporation Limited (APGDC) for an amount of Rs.927.00 crore from the Banks/Financial Institutions for implementing the Kakinada-Srikakulam Pipe Line (KSPL) project. The formalities for the Guarantee would be worked out in consultation with the Finance Department.

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10. The Managing Director, APGDC shall take necessary action accordingly.

11. This order issues with the concurrence of Finance Department vide their U.O.No. FIN01-FMU0BES(IIE) /18/2022-FMU-IIEIC, Dated 12.05.2022.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

R. KARIKAL VALVEN
SPECIAL CHIEF SECRETARY TO GOVERNMENT

To
The MD, Andhra Pradesh Gas Distribution Corporation (APGDC).
Copy to
The Finance (**FMU-I&I, Energy and I&C**) Dept.,
The GA (Cabinet) Dept.,
The OSD to Spl.CS. to Hon'ble CM.
The P.S to Hon'ble Minister for I&I.
The P.S. to C.S to Govt.,
The P.S. to Spl. C.S to Govt., I&I Department.
(C.No.INI01-APGD/6/2022-Airports, Comp.No. 1721024)

//Forwarded :: By Order//

SECTION OFFICER